

FISCAL YEAR 2005 DEFENSE APPROPRIATIONS BILL Conference Report

SUMMARY

On 22 July 2004, the conference report accompanying the Defense appropriations bill (H.R. 4613; H.Rept. 108-622) passed the House by a vote of 410-12. The agreement provides new budget authority of \$390.931 billion for fiscal year 2005, equal to the 302(b) suballocation for the Appropriations Subcommittee on Defense for that year.

The conference report is consistent with the appropriate levels in the budget resolution for fiscal year 2005 (S.Con.Res. 95, as applied in the House of Representatives by H.Res. 649, 108th Congress). Those provisions comply with the requirements of the Congressional Budget Act.

The agreement also contains emergency-designated funding for fiscal year 2004 for operations in Iraq and Afghanistan

and other security spending, plus \$500 million provided for in the budget resolution for wildland fire management. The wildland fire provision technically violates the Congressional Budget Act because the 302(b) suballocations for fiscal year 2004 were not revised to reflect the availability of these funds.

This conference report reflects most, but not all, spending in the National Defense budget function (Function 050), which also includes atomic energy defense activities of the Department of Energy, and smaller programs in the Commerce Department, the Coast Guard, and other agencies. It provides the spending authority for almost every program in the Department of Defense [DOD] and the military services, except military construction.

COST OF THE LEGISLATION

As noted, the conference report provides \$390.931 billion in new budget authority [BA] and \$415.772 billion in outlays for 2005. This is an increase of \$24.317 billion in BA (6.6 percent) and \$24.028 billion in outlays from fiscal year 2004 (see Table 1, next page). Although budget authority in the bill increases from the previous year, it is \$1.655 billion below the President's request.

The bill contains \$25 billion, as requested by the President, for war-related expenses for operations in Iraq and Afghanistan as a fiscal year 2004 emergency requirement. It also includes the repeal of rescission authority provided to the President in last year's omnibus appropriations bill (\$1.8 billion); additional funds for the State Department (\$685 million); and \$95 million for international disaster relief and migration assistance. These provisions were included in the

version passed by the House. In addition, this bill provides \$76 million not included in the House-passed version of the bill: for the Office of Justice Programs - State and Local Law Enforcement Assistance (\$50 million), and for the Judiciary - Court of Appeals, District Courts, Other Judicial and Defender Services (\$26 million).

The bill rescinds \$781 million of previously enacted BA for Procurement (\$415 million); Research, Development, Testing, and Evaluation (\$316 million); and Operations and Maintenance (\$50 million). Outlay savings from these rescissions total \$316 million. These savings offset the cost of the bill in fiscal year 2005.

The bill does not include advance appropriations or savings from changes in mandatory programs.

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Table 1: Defense Appropriations Bill
(fiscal years; millions of dollars)

	2004 Spending ^a	Administration 2005	302 (b) for 2005	Bill ^b
Budget Authority	366,614	392,586	390,931	390,931
Outlays	391,744	418,273	415,987	415,772

^a Does not include \$64.604 billion in BA and \$32.191 billion in outlays included in fiscal year 2004 Iraq conflict supplemental (Public Law 108-106) or the contingent emergency-designated \$27.656 billion in BA and \$154 million in outlays included in this bill.

^b Does not include \$19.902 billion in outlays flowing from the emergency-designated BA for 2004 included in this bill. Those appropriations are not counted in enforcement of the budget resolution.

COMPLIANCE WITH THE BUDGET RESOLUTION

The conference agreement complies with sections 302(f) and 311(a) of the Budget Act for fiscal year 2005.

fiscal year 2005, it will not breach these total levels.

The first of these prohibits consideration of bills in excess of a subcommittee's 302(b) suballocation for new BA. The \$390.931 billion in new discretionary BA is equal to the 302(b) suballocation to the Appropriations Subcommittee on Defense; outlays are \$215 million less than the subcommittee's suballocation.

The emergency-designated appropriations for fiscal year 2004 are not counted in determining compliance with the budget resolution. The additional \$500 million provided for wildland fire management in 2004 was accommodated in the budget resolution and is reflected in the 302(a) allocation to the Appropriations Committee. Further, the provision is consistent with the customary definition of an emergency as being unforeseen, urgent, and temporary. Nevertheless, this provision technically violates the Congressional Budget Act because the 302(b) suballocations for fiscal year 2004 (issued by the Appropriations Committee) have not been revised to reflect the availability of these funds.

Section 311(a) of the Budget Act prohibits the consideration of bills exceeding the total levels of budget authority and outlays established in the concurrent resolution on the budget. Because this defense measure was the first conference report on an appropriations bill agreed to for

Table 2: Discretionary Spending in the Defense Appropriations Bill
(in millions of dollars)

	2004 Budget Authority ^a	2004 Outlays ^a	2005 Budget Authority	2005 Outlays ^b	Difference BA	Difference Outlays
Military Personnel	98,311	98,870	103,731	107,057	5,420	8,187
Operations and Maintenance	127,602	153,405	138,349	160,824	10,747	7,419
Procurement	75,321	74,304	78,324	78,377	3,003	4,073
Research, Development, Testing, and Evaluation	64,348	60,094	68,601	65,609	4,253	5,515
Revolving and Management Funds	2,602	4,198	1,412	2,895	-1,190	-1,303
All Other	-1,570	873	514	1,010	2,084	137
Total	366,614	391,744	390,931	415,772	24,317	24,028

^a Does not include \$64.604 billion in BA and \$32.191 billion in outlays included in the fiscal year 2004 Iraq conflict supplemental (Public Law 108-106).

^b Does not include \$19.902 billion in outlays flowing from the emergency-designated BA for 2004 included in this bill. Those appropriations are not counted in enforcement of the budget resolution.

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DISCUSSION

The bill, as reported, is \$24.317 billion above 2004 spending – excluding the Iraqi conflict supplemental and the emergency appropriations for 2004 in this bill (see Table 2 above). This increase is distributed as follows:

- *Military Personnel, \$5.4 billion:* The bill provides additional funding above 2004 levels for the Army (\$1.9 billion), Air Force (\$1.7 billion), Navy (\$1.2 billion), and Marine Corps (\$649 million). The bill provides \$1.081 billion less than the President's request for military personnel.
- *Operations and Maintenance [O&M], \$10.7 billion:* The bill provides increased O&M funding for the Air Force (\$2.1 billion); the Navy (\$1.7 billion); the defense health program (\$1.6 billion); the Army (\$977 million); Defensewide activities (\$697 million); the Marine Corps (\$207 million); the Army, Navy, and Air Force Reserves (\$157 million); the Army and Air National Guard (\$143 million); and other O&M costs (\$131 million). The bill does not include \$3.5 billion in rescissions for the Iraqi Freedom Fund that were counted in fiscal year 2004. These increases are partly offset by O&M reductions for the Marine Corps Reserve (\$4 million), and other areas (\$406 million).

Included in these amounts are savings of \$1.8 billion from reductions to unobligated balances (\$768 million); reductions to limit excessive growth in procurement of advisory services (\$250 million); reductions in working capital fund cash balances (a revolving fund that relies on sales revenue, rather than direct appropriations, to finance its operations), and rate stabilization adjustments (altering the rate the fund charges users) (\$316 million); management improvements (\$300 million); reductions to travel costs (\$100 million); and miscellaneous contract reductions (\$50 million).

The bill provides \$2.3 billion less than the President's request for operations and maintenance.

- *Procurement, \$3.0 billion:* The bill provides a net increase of \$3.0 billion above fiscal year 2004. Increases go to Air Force aircraft (\$1.7 billion); Army aircraft (\$765 million); Army weapons and tracked combat vehicles (\$654 million); Army and Air Force ammunition (\$322 million); Marine procurement (\$236 million); Air Force missiles (\$329 million); and other expenses (\$1.7 billion).

These increases are offset by reductions in Navy shipbuilding (\$986 million); Defensewide procurement (\$743 million); National Guard and Reserve procurement (\$47 million); Navy aircraft and other expenses (\$248 million); chemical agent procurement (\$127 million); Army missiles (\$187 million); and Marine and Navy ammunition (\$40 million). The bill also achieves \$300 million in savings from revised economic assumptions.

The bill provides \$2.3 billion more than the President requested for procurement.

- *Research, Development, Testing and Evaluation, \$4.3 billion:* The increase over fiscal year 2004 includes increases in Defensewide spending (\$1.9 billion); the Navy (\$1.9 billion); the Air Force (\$574 million); the Army (\$417 million); and other areas (\$13 million). These costs are partially offset by revised economic assumptions (\$561 million).

The \$4.3-billion increase over the current year is \$811 million above the President's request.

- *Revolving and Management Funds, -\$1.2 billion:* The bill provides \$1.2 billion less than fiscal year 2004, and \$1.5 billion less than the President's request. Most of the savings (\$967 million) stem from a reduction in working capital fund cash balances and rate stabilization adjustments in the Transportation Working Capital Fund.